

Annual Report 2007 2008



A message from His Worship The Mayor

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## INTRODUCTION

Tourism - Sports - Arts - Agriculture and STIM  
Development





**EXCO :** Standing - Left to Right : Cllr T.B. Njapha; Cllr P.S. Mpongose (Mayor)  
Seated - Left to Right : Cllr B.C. Buthelezi (Deputy Mayor); Cllr H.L. Madonsela

## INDAKA MUNICIPALITY 2007



**Council :** Front Row - Left to Right : Cllr H.L. Madonsela; Cllr S.B. Mutha; Cllr P.S. Mpongose; Cllr B.C. Buthelezi; Cllr S.S.S. Mbhense; Cllr N.B. Mbhense.  
Middle Row - Left to Right : Cllr J. Kuzene; Cllr T.B. Njapha; Cllr M.R. Zwane; Cllr D.S. Ntlangohi; Cllr N.B. Mchumi; Cllr M.A. Kheswa; Cllr M.S. Hlatwayo.  
Back Row - Left to Right : Cllr M.E. Mkhonza; Cllr D.E. Sithole; Cllr M.B. Mbhele; Cllr L.A. Dlamini; Cllr G.E. Nkula.

## INTRODUCTION



## INTRODUCTION

### Successes:

#### Determination

This office has actively embarked on a specialized campaign that sought to determine the levels of satisfaction with its own constituencies by way of arranging and holding information and opinion – gathering **Izimbizo** at **KwaNcema** and **Sigweje**. A careful exercise of analyzing and interpretation of this information has yielded positive results and enabled this office to address issues relating to service delivery and service performance.

#### Infrastructure

This office has been successful in its efforts to lure the **Department of Home Affairs** and **SASSA** to visit strategic and conveniently located satellite offices in Ward 1 – Sahlumbe as well as in Ward 10 – eSigweje.

#### Campaigns

This office has efficiently pursued and carried out training of ward committees to execute the **ID Documents Campaign** in the areas of Mtebelu, Sigweje and Ekuvukeni. A **Multi – Coded Sporting Events** were held the different wards to stimulate participation in the ID Documents Campaign.

#### Events

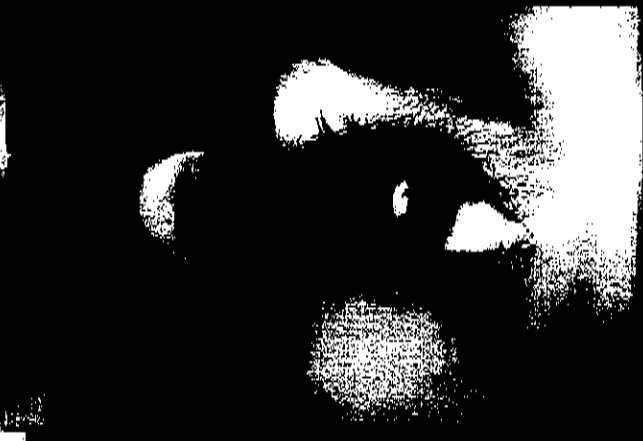
This office managed to arrange and coordinate the hosting of the one important event, scheduled as the **Women's Day Celebration** held at Ilenge in Ward 7 on the 26<sup>th</sup> of August 2008, effectively impacting on the lives of the youth and women.

#### Road Shows

The **Municipal Budget Road Shows** were conducted in all wards and many different parts of the municipality in accordance with The Municipal Systems Act 32 of 2000. The highlight of the road show held at Cwebelele Ward 8 on the 6<sup>th</sup> of May was the handing over of the access road project to the community.

**Challenges:** The office has been successful in its efforts to lure the Department of Home Affairs and SASSA to visit strategic and conveniently located satellite offices in Ward 1 – Sahlumbe as well as in Ward 10 – eSigweje.

**Conclusion:** The office has been successful in its efforts to lure the Department of Home Affairs and SASSA to visit strategic and conveniently located satellite offices in Ward 1 – Sahlumbe as well as in Ward 10 – eSigweje.



## **ANNUAL REPORT FOR CORPORATE SERVICES DEPARTMENT**

As the fundamental aspect of the municipal functioning and the most paramount compliance with the Local Government Legislation, it is a pleasure for this Department to offer this report for the perusal and consideration by all the stakeholders and mostly the recipients of our constitutional mandate, service delivery! This is in no way an all systems good report, but a true reflection of what the circumstances currently are in this Department. A reflection that we hope will help all of us to collectively assume our respective roles to make the whole municipality a success story. Let's enjoy the ride.

### **Preparation of the Departmental Budget**

The Corporate Services is comprised of three sections, the main Corporate section where the legislation and general secretariat is taken care of, and the library as well the newly formed Thusong Service Centre.

All of the above are run through the overall departmental budget that is centrally controlled by the Section Head, Director of Corporate Services. In ensuring that all these are well looked after in as far as the budget, the Departmental meeting that comprises of the sub-managers/section head from the library and the Thusong Centre respectively. The meeting would then discuss all the matters that relate to the Departmental expenses, with due regard of all the above the Sub-sections.

The authorisation for that budget use is duly placed on the hands of the Director who is the ultimate head of this section.

### **Attendance of budget meetings**

In all the budget meetings, it is enough to state that the Department do attend the departmental meetings either through the Mayoral Public Participation and/or other institutional procedures that are often undertaken by the Municipality.

### **Monitoring and review of Departmental budget**

The Head of this Department is solely responsible for the monitoring and review of the Departmental Budget. This task is however performed in due consultation with the departmental staff and subordinates to ensure inclusivity in this Department. During the annual budget

review in January each year, the same procedure is always followed in a way of departmental consultations and with due regard of what the Departmental coffers have left in the budget votes.

### **Assessment of and approval of claims**

As a control mechanism that is set to ensure the adequate Departmental expenditure, each claim is assessed based on the merits and due regard of the procurement procedures to ensure that compliance with the MFMA is observed. Therefore, the Departmental Head ensures that all claims are based on what the budget has catered for without unnecessary over expenditure and/or unbudgeted expenditure.

### **Adjustment of organogram**

The Municipality have an up to date organogram thus far, all the proposed changes emanating from the Municipal Recovery Plan and staff resignations are updated as and when required. Based on the current organisational structure of 72 employees in total, only two vacancies exist and they will be filled in due cause since they are the grant based positions, meaning that the Municipality will not need to take from its budget coffers to fund these positions.

### **Progress report on Job Evaluation Process**

This is a rather daunting exercise since this was supposed to be completed as back as 2003. As the Municipality, in compliance with this Collective Agreement, we have submitted all the Job Descriptions that were required by the Job Evaluation Team based in Ladysmith. We have also obtained the results thereof and only the go-ahead from the Bargaining Council is awaited to effect the necessary changes where they are needed.

We have also noted the guidelines that were recently published through the Salga- KZN circular No.82/08/labour/provincial that stipulate how this function must be handled after the expiry of the current Collective Agreement on Job Evaluation that is due to expire in November 2008.

### **Participation in the preparation and review of the IDP**

Our Department is fully cognisance of the fact that



**Mr K.S. Khumalo**

the only municipal delivery vehicle rest with the IDP and therefore it wouldn't be a wise move if such an imperative document couldn't be afforded with the attention that it deserves. As the Corporate Department, we ensure that the secretariat in respect of the IDP meetings and processing is carried out efficiently and the record keeping thereof is in place since the IDP falls within the scope of the very important Municipal documents that must be kept for future reference.

#### **Implementation of the Approved Organogram in terms of budget and Employment Equity Plan**

Indeed, this Department has a good record when it comes to effecting the changes in the organogram. The Municipal records and the current organogram bears testimony in all that and we intend to keep that momentum in place in case there are changes that are proposed again in the near future. The Employment Equity Plan is in place. You would notice that for every vacancy advertisement that the Municipality advertises through the newspapers, it would be reflected that the Municipality is an equal opportunity and equity employer. This is sustained to ensure compliance with the constitution and relevant employment equity legislation.

We have the Employment Equity Committee in place and we ensure that for every financial year, the employment equity targets are gauged against the plan that was submitted and adopted by the Council through the Council resolution.

#### **Policy Formulation**

We have developed quite a number of Institutional policy documents to guide the Department in dealing with processes and systems of the Municipality. For an example, we have recently developed:

- Draft Bursary Policy
- Draft Employee Assistance Policy
- Draft Policy on staff Establishment
- Draft Training Policy

On top of all these, we have an inexhaustible list of operational policies that we follow to ensure legislative compliance in all our practises.

#### **Development and Implementation of staff management system**

The municipality primarily have the employee Code of Good Practise that each employee, in accepting the appointment to any position in the municipality, sign and agree to abide to. We also have a clocking system that makes it much easier for the supervisors to monitor the staff activities and other management practises that are attached to the supervisory duties.

#### **Enforcement of compliance with legislation**

We often solicit the services of the legal advice whenever there is a legal piece that needs legislative guide. We have a full time legal service at our disposal through Ngcobo Poyo Attorneys that are always available for us to draw the legal guide from.

#### **Undertaking of Skills Audit and development of the WSP**

As the Department we are proud that we have developed the 2008/2009 WSP and we have already started implementing the plan through the funding brought to us by the Local Government Seta. The Skills Audit is annually undertaken through the variety of methods. For the current plan, the use was made of questionnaire distribution among all the employees wherein the capacity building needs were identified and put in the plan for the implementation of the current WSP.

#### **Conduct Workshop on approved policies**

All the approved policies have been workshoped to both Councillors and officials. This is a pre-requisite for the Municipal policies since the Councillors would normally refuse to adopt the policies that are not clearly explained and educated to them before they ultimately adopt.

#### **Access to legal Services**

**Ngcobo Poyo and Associate Attorney** based in Pietermaritzburg. These attorneys were appointed through the Council Resolution and are on a stand by to listen to all the Municipal legal needs.

#### **Providing Secretariat Services for the Municipality**

This is one of the primary functions that this



Department is mandated to perform for Indaka. Likewise, we have equalled the task. We ensure that every extract for any department is available. For every end of the year, we develop the manual that contains all the municipal minutes and keep it in our Registry for easy retrieval in the future. For every meeting that is held either Departmental, Sect oral or otherwise, this Department fully undertakes the responsibility of providing secretariat.

#### **Developing and Monitoring the Registry Services**

A dedicated employee in a form of a Registry Clerk is employed full- time to ensure the smooth running of this section of the Department. We have also developed the new registry system in compliance with Archives Act and for that purpose; the Kwa-Zulu Natal Archives offered the service to the Municipality free of charge. The newly adopted Filing system will be fully functional once the new office Administration Block is occupied and is fully operational

#### **Training employees in Disciplinary Procedure**

For the current Collective Agreement in Disciplinary Procedure, all employees were called and workshoped on the contents thereof. The simplified booklet was also developed and distributed to each employee to ensure that everyone in the organisation understands the contents thereof.

#### **Training of Ward Committees**

For the Departmental part of this task, it was performed at the ward committee inception. However, for the ensuing training thereafter; it fell away from the



**Departmental scope.** From time to time, various departments undertake to train the ward committees on different things. The Department did in conjunction with the office of the Mayor conduct an intensive training on the functioning of the Ward Committees during February 2008. This training was followed by the training of Councillors, employees and Ward Committees on Performance Management System during March 2008.

#### **Participation in the annual review of the Powers and Functions**

The Head of this Department annually attend the MDB meetings where these are annually updated and it where our input is cast on aspects about the powers and functions.

#### **Liaising with the Provincial Government**

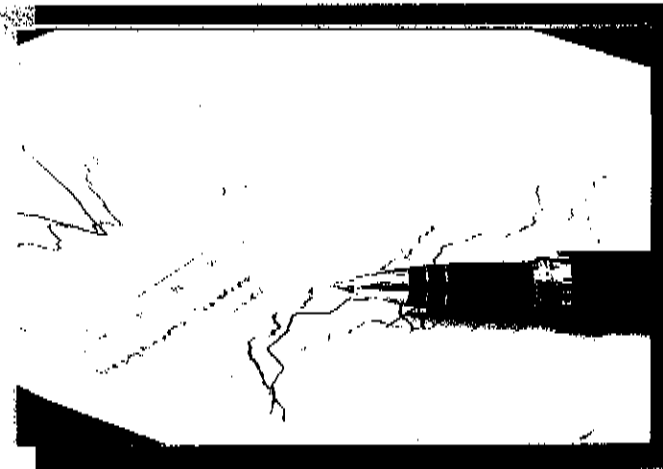
There are specific projects that warrant the liaison with Province. And in that regard, we haven't erred in ensuring that we get the necessary guidance from the Provincial Department where required. For an example, the Municipal Recovery Plan was undertaken jointly by us and the Provincial Department through the liaising that this department performed.

#### **Appointment of the Area Manager Thusong Service centre**

The Area Manager resumed the position in February 2008 after the delay in appointment was caused by the Province in transferring the funding to the Municipal bank account. Right now, the activities for the Thusong Service Centre are performed by the designated manager responsible for that unit.

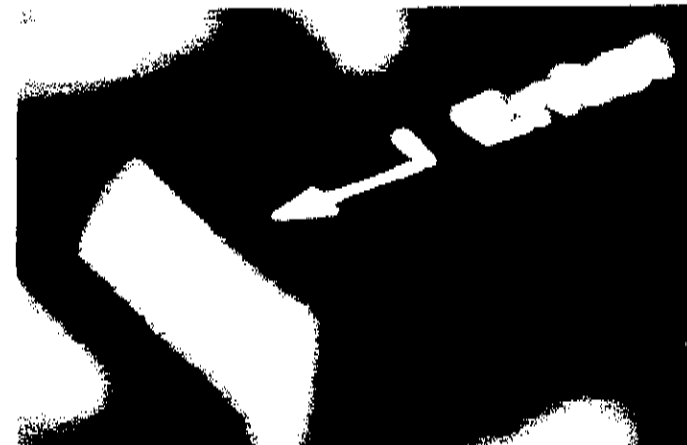
#### **Library Services Supervision**

As a Department, we had a relapse in this service due to the unexpected resignation of the Librarian. But we are in the process of appointing the new library professional to oversee the smooth running of our library. Meanwhile, the two library assistants currently ensure that service delivery to the people is unhindered by assisting the library users who visit the library everyday.



#### **Disaster Management**

Disaster management is a shared function between the District and the Local Councils. For our part, we are continuously attending the meetings that the uThukela District co-ordinate with the locals to see how the disaster function could be adequately shared to the benefit of all the areas under the jurisdiction of uThukela.



Planning and Development Department has performed its departmental duties within the expected levels. The performance and execution of the aforementioned duties was not without hindrances, impediments, obstacles and obstruction.

The central areas which warrant and command the attention of this department are:

1. Local Economic Development
2. Regional and Town Planning
3. Integrated Planning and Development Planning
4. Performance Management Systems

The above-mentioned constitute the department in question; nevertheless there are some disciplines which are directly or indirectly linked to the said disciplines.

#### CHALLENGES

Indaka Municipality is facing numerous challenges. First and foremost this Municipality does not have the source of income and it is dependent on the equitable share for its survival, performance and existence. Lack of funds limits and restricts service delivery to communities.

#### PRIORITIES 2007/2008

- Submission of MIG Projects to Province
- Enhancing IDP Public Participation
- Simplification of IDP content
- Getting IDP informing budget
- Reviewing IDP
- Establishment of Arts and Craft Centres
- Completion of Land Use Management System
- Review of Tourism Study
- Implementation of Agricultural plan
- Formulation of SMME plan
- Existence of Performance Management System
- Formulation and Approval
- Business Training
- Getting Valuation Roll started
- Getting Tourism Projects started
- Ploughing as an economic activity
- Source Funding
- Establish Cemetery

#### EXECUTIVE SUMMARY OF PRIORITY SUCCESSES

Here below is a list of achievements in a summary form:

TASK	STATUS
1. MIG Project	Submitted
2. IDP Public Participation	Achieved
3. Simplification of IDP	Simplified
4. IDP informing budget	Achieved
5. Reviewing IDP	Reviewed
6. Arts & Craft centre	Completed
7. Review of Study Tourism	Reviewed
8. Implementation of Agricultural Plan	Partially implemented
9. SMMEs Development Plan	Formulation
10. PMS	Formulation
11. Business Projects	In progress
12. Valuation roll	In progress
13. Tourism project	In progress
14. Ploughing	In progress
15. Application for funds	Achieved
16. Cemetery	In progress

#### UNPACKING OF THE PRIORITIES

##### 1. Submission of MIG Projects for Approval

It is a long way before projects are submitted to province for approval a council meeting has to be convened for prioritization of the projects for submission. This is the core task of the planning and development department to make the above mentioned possible. The said department has met the requirements successfully.

##### 2. Public Participation on IDP

It is a requirement by law that people have to play a major role in IDP formulation and review. The planning department has successfully done thus through designated stakeholders which represent communities and different departments.

##### 3. Simplification and Review of IDP

Sometimes IDP document becomes:

- o A complex, consequently committees become reluctant to read it.
- o All possible attempts have been made to simplify the development document (IDP).
- o IDP has been internally reviewed and this is the indication of capacity in the municipality which is commendable.
- o All procedures have been followed



Mr S.S. Maphanga

#### **4. Tourism and Agriculture Implementation**

A few of Tourism and Agricultural projects that have begun:

##### **a) Sahlumbe Chillies Projects**

- o This project was funded by Indaka, through its funds and requested funds from other departments

##### **b) Ilenge Cannibalism Route**

- o This project has started, through with some hindrances
- o The above-said project has been prioritised as one of MIG projects
- o Phase 1 of project has been completed regarding the re-visited business plan
- o A partnership with two claims is being developed

#### **5. Formulation of supporting Business Plans**

The following plans have been developed.

- a) SMME - Plan
- b) CBD - Plan
- c) Spatial Development Framework
- d) HIV/AIDS - Plan
- e) LED - Plan

#### **6. Ploughing**

The planning Department has carried out the following:

- a) Agricultural study
- b) Formed agricultural forum
- c) Cultivated fields for community
- d) Co-operated with Dept. of Agriculture in agricultural projects  
e.g. ward 4 poultry projects

#### **7. Funding**

Funds that have been mobilized and obtained through the planning and development department

- a.) Ilenge Cannibalism Funds
- b.) LED - Funds
- c.) Capacity Building Funds
- d.) IDP Review Funds

#### **8. Performance Management System**

- o The law requires that municipality should have PMS in place
- o PMS has been formulated and adopted.
- o Training have been conducted to all necessary stakeholders

#### **9. Funds Applications**

Funds have been obtained from different sources through planning and development.

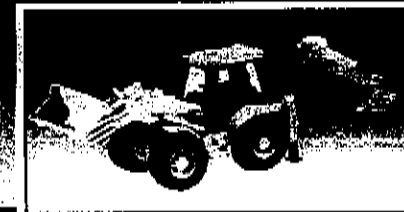
#### **10. Cemetery**

The prevalence of HIV/AIDS causes cemetery to be emissive. The planning and development directorate has tried to identify and secure an alternative place for the said purpose, which has since been found unsuitable.

# THE CHINESE



## PREAMBLE



## SANITATION

2000-2001 ( two hundred flushable toilets have been constructed in Ekuvukeni )  
Uthabatha District Municipality

## MAINTENANCE OF SPORTS FIELDS

## WATER SUPPLYING

## WATER SUPPLYING

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**ALWAYS STRIVING FOR EXCELLENCE!**

The Housing Department has (3) three dedicated officials namely: Housing Manager (Mrs. D.P.M. Sithole) Housing Administrator (Mr. S.E. Fakude) and Housing Help Desk (Ms. N.O. Majozi). Indaka Local Municipality together with the following stakeholders, KZN Provincial Department of Housing, National Department of Housing has managed to establish and support this Housing Component financially and otherwise. Other stakeholders like DBSA and Flanders Government were also instrumental and committed to establishing a well structured and capacitated Housing Officials. They also took upon themselves that all Housing beneficiaries are well informed on Housing issues.

#### KPI Financial Year -2007/2008

1. To facilitate the packaging of Housing Projects.
2. To obtain funding from the Department of Housing for Housing Projects.
3. Land Claim issues: Lime-Hill, Uitval, Valkop and Kwa-Hlathi.
4. To resolve all problems relating to Professional team and Implementing Agents.
5. To prepare a Housing Development Plan for the Indaka Local Municipality.
- 6 (a) To conduct Housing beneficiary workshops in all 10 Wards.
7. To get consent from Tribal Authorities concerning Housing Projects.
8. To get 500 approved Housing Applications.
9. Will commence Housing Construction at UMhlumayo Housing Project.
10. To apply for grants (Housing Funded)

#### Progress Report

- \* **UMhlumayo Rural Housing Project** has reached stage 2
- \* **Kwa-Hlathi Rural Housing Project** has received R1, 3m for conditional approval.
- \* **Sahlumbe Rural Housing Project** has also reached Conditional approval – R1,7m
- \* **Progress payment** at UMhlumayo for stage 2 has been processed
- \* A request to the **National Minister** to release Land was submitted. A **Land Surveyor** and a **Town Planner** were sent to the area and the Land will soon be transferred to the **Ingonyama Trust** and will be utilized for Housing Projects
- \* Kwa-Hlathi got a new Professional Team which resulted in the approval - stage (1) one.
- \* A draft Housing Development Plan was submitted in 2007. Workshop of Officials and Councilors was conducted. To date a final document has been adopted by Council

\* Workshops were conducted and the number of person trained is as illustrated below:

Kwa-Hlathi	= 620	Uitval	= 979	Gcinalishone	= 424	Mjindini	= 407
Lime-Hill	= 677	Oqungweni	= 971	Valkop	= 565	Tholeni	= 659
Ezihlabathini	= 312	Nazareth	= 515	Waaioek/Mbondwane	= 219	Ntshela/Nkungwini	= 198
Mabhekazi/Komane	= 427	Mbanganeni	= 145	Ngedlengedleni	= 347	Hwebede	= 232
Somshoek	= 278	Sahlumbe	= 1175	Kwa-Shuzi	= 668	Emngwenya	= 170
Zikode	= 270	Emziyonke	= 177				

Applied for funding with regard to training of the Housing beneficiaries from DOH was and financial assistance amounted to R320 000.

- \* The total number of trained beneficiaries to date is **11 182** (including first trainings: Kwa – Shuzi, Zikode, Emngwenya and Emziyonke)
- \* Received a consent from Kwa-Hlathi Rural Housing Project, UMhlumayo Housing Project and Sahlumbe Rural Housing Project
- \* Have received 1 200 approved Housing subsidies for UMhlumayo and Kwa-Hlathi Housing Projects.

Applications approved 628.  
Slabs poured to date 167.  
Wall-plates to date 137.

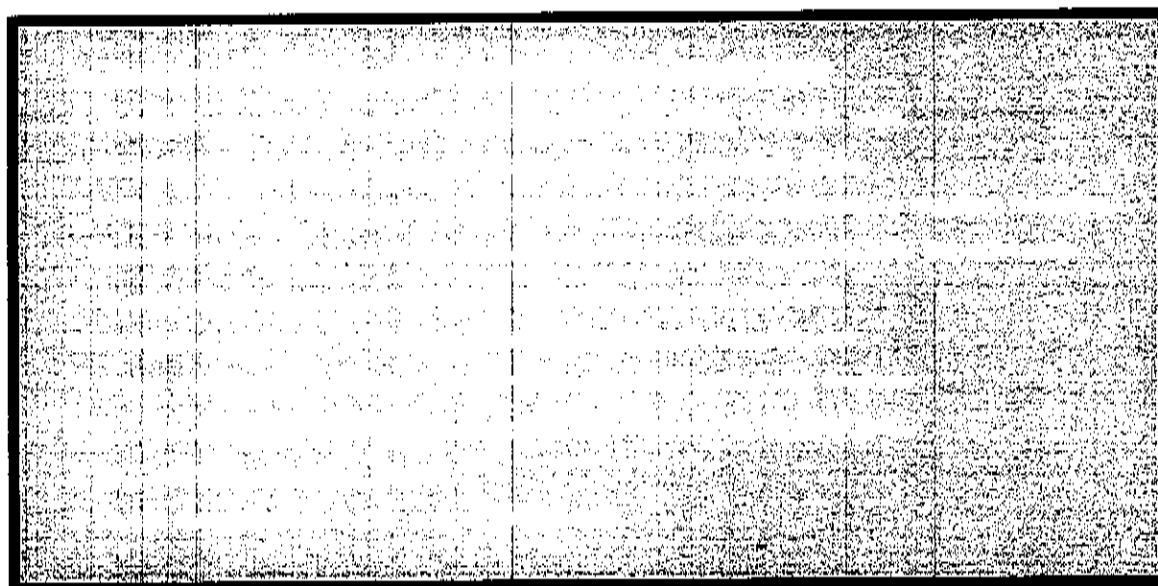
- \* Total grants received by this Department amounted to R4,877,975.77



**Mrs DPM Sithole**

#### Comparison with the previous financial year

1. Only ward 9 has a tripartite agreement and has received Conditional Approval.
2. Preparation funding was received for 2 Housing Projects.
3. No response from **Department of Land Affairs**.
4. The Housing Project was blocked.
5. A Service Provider was appointed.
6. Few wards received training
7. The number of trained beneficiaries was far below in the previous year because of financial constraints.



## ACCOUNTING POLICIES

### FOR THE YEAR ENDED 30 JUNE 2008

#### 1. BASIS OF PRESENTATION

1.1 These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Accounting Practice (1997) and Report on Published Annual Financial Statements (Second edition - January 1996).

1.2. The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy note 3. The accounting policies are consistent with those applied in the previous year, otherwise indicated.

1.3. The financial statements are prepared on the accrual basis as stated:

- (i) Income is accrued when available to finance operations. Certain direct income is accrued when received and /or when the amount can be measured with certainty.
- (ii) Expenditure is accrued in the year it is incurred.

1.4. All amounts disclosed in these Financial Statements are rounded off to the nearest Rand, but actual amounts were used in the calculations

#### 2. CONSOLIDATION

No consolidated financial statements have been prepared for the year under review.

#### 3. FIXED ASSETS

3.1. *Fixed assets are stated:*

(i) at historical cost, or

(ii) at valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the Chief Financial Officer.

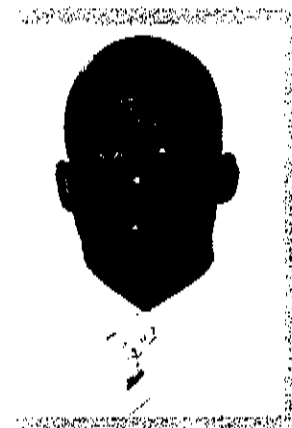
##### 3.2. Depreciation

The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. By way of this "Provision" assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:

(i) Appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation.

(ii) Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and Other capital Receipts" account.

3.3. Fixed assets are financed from different sources, including external loans, operating income and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.



Mr M. Dlamini





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**EXTRACT OF THE RESOLUTION OF THE COUNCIL MEETING WHICH  
HELD ON 7 NOVEMBER 2008**

**7.11 Annual Report**

Chief Finance Officer presented the Annual Report to the council.  
It emanated that the report from Finance Department was not  
incorporated as part of the report.

After discussion, it was

***Annual Report be approved and Chief Finance Officer to  
include report from Finance Department.***

***Certified a true record of the meeting***

.....  
SM MBHELE  
MUNICIPAL MANAGER

#### **4. STOCK**

Stock is purchased on a need basis, and the balance on hand at year end is accounted for as expenditure.

#### **5. FUNDS AND RESERVES**

##### **5.1. Capital Development Fund**

The Local Government Ordinance, Natal, No. 25 of 1974, requires a minimum contribution of 3.0% of the defined income of local authority to the immediately preceding financial year.

##### **5.2. Public Improvement Fund**

The Public Improvement Fund provides for the future township development. All developments costs as defined in section 103 (3) (d) of the Local Government Ordinance, Natal, No. 25 of 1974, are debited against the fund. All proceeds from sale of developed land are credited as income for the fund.

##### **5.3. Leave Provision**

A provision equal to the actual leave credit as at 30 June 2005 is maintained to provide for leave payments on request. Contributions are made from the operating account.

##### **5.4. Bad Debt Provision**

A provision equal to the anticipated risk as at 30 June 2005 is maintained to provide for bad debts. Contributions are made from the applicable accumulated account based on outstanding debtors more than ninety days.

##### **5.5. Working Reserves**

Some funds are reserved for the unexpected variation of working capital.

#### **6. RETIREMENT BENEFITS**

Indaka Municipality and its employees contribute to the Natal Joint Municipal Pension Fund or the KwaZulu-Natal Joint Municipal Provident Fund which provides retirement benefits to such employees. The retirement benefit plan is subject to the rules and regulations prescribed by the Local Government Superannuation Ordinance, 1973 (Ordinance No. 24 of 1973) and in accordance with the requirements of the Pensions Fund Act, 1956. Current contributions are charged against operating income on the basis of current service costs.

#### **7. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES**

The costs of internal support services are transferred to different services in accordance with the IMTA's Report on accounting for support services (1990)

#### **8. LEASED ASSETS**

Leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the assets concerned.

#### **9. INVESTMENTS**

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred, and are invested in securities as prescribed by section 125 of the Local Authorities Ordinance, 1974 (Ordinance No. 25 of 1974) and section 10G(9) of the Local Government Transition Act, 1993 (Act No. 209 of 1993).

#### **10. INCOME RECOGNITION**

##### **10.1. Grant income**

Grant income is recognised on receipt thereof.

#### **11. SURPLUSES AND DEFICITS**

The accumulated deficit is maintained as an Operating cash reserve, to fund expenditure during the financial year, prior to the collection of revenue. It may also be utilised to fund projects that the council may deem necessary to fund.



## **ANNEXURE 1: FINANCIAL STATEMENTS**

- **INCOME STATEMENT**
- **CASH FLOW STATEMENT**
- **BALANCE SHEET**

**INCOME STATEMENT FOR THE YEAR  
ENDED 30 JUNE 2008**

2007 Actual income  R	2007 Actual expenditure  R	2007 Surplus / (Deficit)  R	2007 Budget Surplus / (Deficit)  R		2008 Actual income  R	2008 Actual expenditure  R	2008 Surplus / (Deficit)  R	2008 Budget Surplus / (Deficit)  R
15,643,308	21,262,972	(5,619,664)	5,619,664	<b>GENERAL SERVICES</b>	21,046,666	21,012,333	34,333	30,809
15,643,308	21,262,972	(5,619,664)	5,619,664	- Community Services	21,046,666	21,012,333	34,333	30,809
-	-	-	-	- Subsidised Services	-	-	-	-
-	-	-	-	- Economic Services	-	-	-	-
				<b>HOUSING SERVICES</b>	-	519,319	(519,319)	(30,818)
				- Housing Services	-	519,319	(519,319)	(30,818)
				<b>TRADING SERVICES</b>	-	-	-	-
				- Trading Services	-	-	-	-
15,643,308	21,262,972	(5,619,664)	5,619,664	<b>TOTAL</b>	21,046,666	21,531,652	(484,986)	(9)
		(300,751)		<b>Appropriations for this period</b>			220,061	
		(5,920,415)		<i>(refer to note 9)</i>				
		(2,172,769)		<b>Net deficit for the period</b>			(264,925)	
				<b>Accumulated Deficit</b>				
				<b>beginning of the period</b>			(8,093,184)	
		(8,093,184)		<b>ACCUMULATED DEFICIT</b>			(8,358,109)	
				<b>AT THE END OF THE PERIOD</b>				

(Refer to appendix D and E for more detail)

(Refer to appendix D and E for more detail)

**INDAKA LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR**  
**ENDED 30 JUNE 2008**

	Note	2008 R	2007 R
<b>CASH RETAINED FROM OPERATING ACTIVITIES</b>		<b>13,904,867</b>	<b>1,600,596</b>
Cash generated by operations	14	1,270,024	(10,665,546)
Investment Income	12	1,786	23,325
Decrease in working capital	15	3,431,978	(1,415,294)
		<u>4,709,787</u>	<u>(12,057,514)</u>
Less: External interest paid		(459,862)	(69,866)
Cash utilised by operations		4,249,926	(12,127,380)
Contributions from Public or Government		<u>9,654,941</u>	<u>13,727,975</u>
<b>CASH UTILISED IN INVESTING ACTIVITIES</b>		<b>(9,841,409)</b>	<b>(5,929,107)</b>
Net Investment in Fixed Assets		<u>(9,841,409)</u>	<u>(5,929,107)</u>
<b>NET CASH FLOW</b>		<b><u>4,063,457</u></b>	<b><u>(4,328,511)</u></b>
<b>CASH EFFECTS OF FINANCING ACTIVITIES</b>			
Increase/ (Decrease) in long-term Loans	18	(4,043,204)	3,047,940
(Increase)/ Decrease in Cash Investments	16	3,665	309,357
Increase/ (Decrease) in Deposits		-	1,667
(Increase)/ Decrease in Cash	17	(23,918)	969,547
<b>NET CASH GENERATED</b>		<b><u>(4,063,458)</u></b>	<b><u>4,328,511</u></b>
		(0)	-

**INDAKA LOCAL MUNICIPALITY**

**BALANCE SHEET AS AT 30 JUNE 2008**

	Notes	2008 R	2007 R
<b>CAPITAL EMPLOYED</b>			
<b>FUNDS AND RESERVES</b>		<b>6,486,944</b>	<b>9,447,106</b>
Accumulated Funds	1	33,835	33,835
Reserves	2	6,453,109	9,413,271
<b>ACCUMULATED DEFICIT</b>	13	<b>-8,358,109</b>	<b>-8,093,184</b>
		-1,871,165	1,353,922
<b>LONG TERM LIABILITY</b>	5	<b>5,580,861</b>	<b>2,212,514</b>
<b>CONSUMER DEBTOR DEPOSIT</b>			<b>1,667</b>
		<u>3,709,696</u>	<u>3,568,105</u>
<b>EMPLOYMENT OF CAPITAL</b>			
<b>FIXED ASSETS</b>	3	<b>7,120,193</b>	<b>3,047,940</b>
<b>LONG TERM DEBTORS</b>			<b>7,553</b>
<b>INVESTMENTS</b>	12	<b>4,693</b>	<b>1,028</b>
		<u>7,124,886</u>	<u>3,056,521</u>
<b>NET CURRENT ASSETS / (LIABILITIES)</b>		<b>-3,415,190</b>	<b>511,586</b>
<b>CURRENT ASSETS</b>		<b>2,839,643</b>	<b>3,816,341</b>
Short-term portion of long term debtors		-	28,127
Current Debtors	4	2,839,643	3,788,214
<b>CURRENT LIABILITIES</b>		<b>6,254,833</b>	<b>3,304,755</b>
Provisions	8	660,327	879,593
Current Portion of Long Term Liability	5	1,510,283	820,137
Cash resources	17	793,519	769,601
Creditors	9	3,290,703	835,424
		<u>3,709,696</u>	<u>3,568,107</u>

ANNEXURE 2: REPORT OF THE AUDITOR GENERAL - KWAZULU  
NATAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL  
STATEMENTS AND PERFORMANCE INFORMATION OF INDAKA  
MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008.

**REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF INDAKA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008.**

**REPORT ON THE FINANCIAL STATEMENTS**

**Introduction**

1. I have audited the accompanying financial statements of the Indaka Municipality which comprise the balance sheet as at 30 June 2008, income statement, and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages [xx] to [xx].

**Responsibility of the Accounting Officer for the financial statements.**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the entity-specific basis of accounting, as set out in accounting policy note 1.1 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2007 (Act No. 1 of 2007) (DoRA). This responsibility includes:
  - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
  - selecting and applying appropriate accounting policies
  - making accounting estimates that are reasonable in the circumstances.

**Responsibility of the Auditor-General**

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No.25 of 2004) (PAA), and section 126 of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.



5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
6. An audit also includes evaluating the:
  - appropriateness of accounting policies used
  - reasonableness of accounting estimates made by management
  - overall presentation of the financial statements
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Basis of accounting**

8. The municipality's policy is to prepare financial statements on the entity-specific basis of accounting, as set out in accounting policy note 1.1

#### **Basis for qualified opinion**

##### **Fixed assets**

9. With reference to accounting policy 3.1, the municipality's accounting policy is to recognise fixed assets at historic cost or at valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use. However, all fixed assets acquired before 01 July 2007 were stated at revalued amounts. Consequently, fixed assets and loans redeemed and other capital receipts were understated by an amount of not less than R691 020.

##### **Reserves**

10. Value Added Tax (VAT) on payments made from reserve accounts amounting R342 479 was incorrectly allocated to the reserve accounts resulting in the balance for reserves and VAT being understated by an amount of R342 479.

### **Qualified Opinion**

11. In my opinion, except for the effects of the matter described In the Basis for qualified opinion paragraphs, the financial statements of the Indaka Municipality as at 30 June 2008 and its financial performances and cash flow for the year then ended have been prepared, in all material respects, in accordance with the basis of accounting as set out in accounting policy note 1.1 and in the manner required by the MFMA and DoRA.

### **Emphasis of matter**

I draw attention to the following matter:

### **Going concern**

12. The treasurer's report on page xx to the financial statements indicates that the Indaka Municipality incurred an accumulated deficit of R8,4 million and the entity's total liabilities exceeded its total assets by R1,9 million as at 30 June 2008. In addition, reserves amounting to R6,5 million were not supported by cash or investments as at 30 June 2008. These conditions, along with other matters, point to the existence of a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern.

### **OTHER MATTERS**

I draw attention to the following matters that relate to my responsibilities in audit of the financial statements:

### **Internal controls**

13. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the inefficiencies in the systems of internal control, which led to the qualified opinion. The root causes are categorised according to the five components of an effective system of internal control. In some instances deficiencies exist in more than one internal control component.

Reporting item	Control Environment	Risk Assessment	Control Activities	Information & Communication	Monitoring
Fixed Assets			✓		
Reserves			✓		
<p><u>Control environment</u>: establishes the foundation for the internal control system by providing fundamental discipline and structure for financial reporting.</p> <p><u>Risk Assessment</u>: involves the identification and analysis by management of relevant financial reporting risks to achieve predetermined financial reporting objectives.</p> <p><u>Control Activities</u>: policies, procedures and practices that ensure that management's financial reporting objectives are achieved and financial reporting risk mitigation strategies are carried out.</p> <p><u>Information and Communication</u>: supports all other control components by communicating control responsibilities for financial reporting to employees and by providing financial reporting information in a form and time frame that allows people to carry out their financial reporting duties.</p> <p><u>Monitoring</u>: covers external oversight of internal controls over financial reporting by management or other parties outside the process; or the application of independent methodologies, like customised procedures or standard checklists, by employees within a process.</p>					

## Non-compliance with applicable legislation

### Municipal Finance Management Act

14. The municipality did not submit reports to National Treasury on tenders awarded amounting to more than R 100 000 as required by MFMA Circular No. 34 and section 74(1) and 104(1)(b) of the MFMA.
15. The municipality did not report unauthorised and fruitless and wasteful expenditure disclosed in note 23 to the financial statements to the MEC for local government and the Auditor-General as required by section 32(4) of the MFMA.

## Local Authorities Ordinance

16. Contribution of not less than three percent of the annual revenue to capital development fund was not made during the year and there was no approval from the Administrator to suspend contribution as required by section 103(9)(b)(i) of the Local Authorities Ordinance, 1974 (No. 25 of 1974).

## Matters of Governance

17. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matter of Governance	Yes	No
<b>Audit committee</b>		
▪ The municipality had an audit committee in operation throughout the financial year.		
▪ The audit committee operates in accordance with approved, written terms of reference.		
▪ The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.		
<b>Internal Audit</b>		
▪ The municipality had an internal function in operation throughout the financial year.		
▪ The internal audit function operates in terms of an approved internal audit plan.		
▪ The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.		
<b>Other Matters Of Governance</b>		
▪ The annual financial statements were submitted for audit as per the legislated deadlines (section 126 of the MFMA).		
▪ The annual report was submitted to the Auditor for consideration prior to the date of the Auditor's report.		
▪ The financial statements submitted for audit were not subject to any material amendments resulting from the audit.		
▪ No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.		
▪ The prior year's external audit recommendations have been substantially implemented.		
<b>Implementation of Standards of Generally Recognised Accounting Practice (GRAP)</b>		

<ul style="list-style-type: none"> <li>▪ The municipality submitted an implementation plan, detailing progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 30 October 2007.</li> </ul>		
<ul style="list-style-type: none"> <li>▪ The municipality substantially complied with the implementation plan it submitted to the National Treasury and the relevant provincial treasury before 30 October 2007, detailing its progress towards full compliance with GRAP.</li> </ul>		
<ul style="list-style-type: none"> <li>▪ The municipality submitted an implementation plan, detailing further progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 31 March 2008.</li> </ul>		

### **Unaudited supplementary schedules**

18. The supplementary information set out on pages X to X does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

### **OTHER REPORTING RESPONSIBILITIES**

#### **REPORT ON PERFORMANCE INFORMATION**

19. I was engaged to review the performance information.

#### **Responsibility of the accounting officer for the performance information.**

20. In terms of section 121(3)(c) of the MFMA, the annual report of the municipality must include the annual performance report of the Municipality prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000)(MSA)

### **Responsibility of the Auditor-General**

21. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of May 2008* and section 45 of the MSA.
22. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
23. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

### **Audit findings (performance information)**

#### **Non-compliance with regulatory requirements**

##### **Performance information not received in time**

24. The financial statements submitted for auditing did not include a report on the performance information of the Municipality, as required by General Notice 616, published in *Government Gazette No. 31057 dated 15 May 2008*; read with section 46 of the MSA.

##### **Existence and functioning of a performance audit committee**

25. The Indaka Municipality did not appoint and budget for a performance audit committee, neither was another audit committee utilised as the performance audit committee.

##### **Internal auditing of performance measurements**

26. The Indaka Municipality did not develop and implement mechanisms, systems and processes for auditing the results of performance measurement as part of its internal audit processes, as required by section 45 of MSA.

## ANNEXURE 3: REPORT OF THE AUDIT COMMITTEE

# AUDIT COMMITTEE REPORT

(INDAKA LOCAL MUNICIPALITY)

## *Report of the Audit Committee*

We are pleased to present our report for the financial year ended 30 June 2008.

### **Audit Committee Members and Attendance:**

The audit committee consists of the three members listed hereunder and meets of at least 4 times per annum as per its approved terms of reference. However the regular postponements of meetings caused a loss of momentum on the work of internal audit, hence the following recorded meetings:

- |                     |                              |
|---------------------|------------------------------|
| 1. 31 March 2008    | - Audit Committee work       |
| 2. 4 September 2008 | - Performance Committee work |
| 3. 21 November 2008 | - Performance Committee work |
| 4. 4 December 2008  | - Audit Committee work       |

Committee Member	No of meetings attended
(1) Andile Jordan (Chairperson)	4
(2) Hadebe	4
(3)	4

**During the year under we could not with comply with Section 4 (a) of the Municipal Finance Management Act No. 56 of 2003 on Audit Committee membership as the committee consisted of 3 members only.**



### ***Audit Committee Responsibility***

The Audit Committee reports that it has complied with its responsibilities arising from section 166 (2) of the MFMA No. 56 of 2003. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

**Due to limited audit department capacity, the Audit Committee could not achieve the desirable level of effectiveness and could not carry out its Section 2 duties as legislatively required. To reduce the impact of this adverse situation, the internal audit function is being outsourced for the 2009 year end going forward.**

### ***The effectiveness of internal control***

The system of internal control is effective as the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements, the matters of emphasis and management letter of the Auditor-General have not reported any significant or material non compliance with prescribed policies and procedures. 'Other matters' in the Auditor General's report have been adequately responded upon by the Municipal Manager and an action plan to implement the responses has been requested by the Audit Committee.

**The Audit Committee joins the Municipal Manager to strive for a favourable audit opinion in the 2009 year end. The measure that have been put in place include the securing of Treasury assistance with fixed assets valuation and addressing of the none cash backed investments to eliminate the going concern risks which were the basis for the Auditors General's qualification opinion.**

### **Risk Assessment/Management and Fraud Prevention Strategy**

Risk Management and Fraud Prevention Strategies that complement each other have been discussed and the Audit Committee will monitor their implementation during the 2009 year end.

### ***The qualify of management and monthly / quarterly reports***

We cannot comment on the content and quality of monthly and quarterly reports prepared and issued by the Municipal Manager during the year under review.

### **Evaluation of Financial Statements**

The Audit Committee has

- Not reviewed and neither has it discussed with the Auditor-General on the annual financial statements to be included in the annual report;
- Not reviewed the Auditor-General's management letter and management response;

The Audit Committee concurs and accepts the conclusions of the Auditor-General on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

**Chairperson: on behalf of the Audit Committee**  
**MA Jordan**

**Date:** \_\_\_\_\_

